

**ASSEMBLY BILL**

**No. 2586**

**Introduced by Assembly Member Campbell**

February 25, 2000

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An act to amend Sections 17180 and 17199.1 of the Education Code, relating to school facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2586, as introduced, Campbell. School facilities: funding: modernization.

Existing law, the California School Finance Authority Act, establishes the California School Finance Authority for the purpose of assisting school districts and community college districts by providing financing for working capital and capital improvements. Existing law authorizes the authority, pursuant to an agreement between the authority and the purchasing district, to make secured or unsecured loans to, or purchase secured or unsecured loans from a participating district for any of the purposes prescribed in the act. The act also authorizes the authority to purchase the rights to and possibilities regarding funding for school facilities approved by the State Allocation Board pursuant to the Leroy F. Greene School Facilities Act of 1998, including amounts apportioned and funded and amounts approved but not yet funded.

This bill would, for purposes of those provisions, limit the authorization of the authority to make or purchase those secured or unsecured loans or to purchase those rights and possibilities to those loans and rights and possibilities regarding the state's share of funding, for the modernization

of school facilities provided under the Greene Act. The bill would also limit those amounts included in those purchases to amounts approved and funded or amounts approved but not yet funded from proceeds of state bonds already authorized by the electors but not yet issued.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 17180 of the Education Code is  
2 amended to read:  
3 17180. The authority is hereby authorized to do all of  
4 the following:  
5 (a) Adopt bylaws for the regulation of its affairs and  
6 the conduct of its business.  
7 (b) Adopt an official seal.  
8 (c) Sue and be sued in its own name.  
9 (d) Receive and accept gifts, grants, or donations of  
10 money for any of the purposes of this chapter from any of  
11 the following:  
12 (1) A federal agency.  
13 (2) A state agency.  
14 (3) A municipality, county, or other political  
15 subdivision of the state.  
16 (4) An individual, association, or corporation.  
17 (e) Engage the services of private consultants to  
18 render professional and technical assistance and advice in  
19 carrying out the purposes of this chapter.  
20 (f) (1) Determine the location and character of any  
21 project to be financed under this chapter, and acquire,  
22 construct, enlarge, remodel, renovate, alter, improve,  
23 furnish, equip, own, maintain, manage, repair, operate,  
24 lease as lessee or lessor, or regulate the same.  
25 (2) Designate a participating district as its agent, with  
26 authority to enter into contracts, for any of the purposes  
27 specified in paragraph (1).  
28 (3) Enter into contracts for any of the purposes  
29 specified in paragraph (1).



(4) Enter into contracts for the management and operation of a project owned by the authority.

(g) Acquire, directly or by and through a participating district as its agent, by purchase solely from funds provided pursuant to this chapter, or by gift or devise, and sell, by installment or otherwise, property, rights, rights-of-way, franchises, easements, and other interests in lands, including, but not limited to, lands lying under water, and riparian rights, located within the state which the authority deems necessary or convenient for the acquisition, construction, financing, or operation of a project. The authority may do so upon the terms, and at the prices, it considers reasonable and upon which it can agree with the owner, and may take the title to the interest in the name of the authority or in the name of a participating district as its agent.

(h) Receive and accept from any source loans, contributions, or grants for, or in aid of, the construction, financing, or refinancing of all or part of a project, in the form of money, property, labor, or other things of value.

(i) Pursuant to an agreement between the authority and the participating district, make, directly or through a lending institution, secured or unsecured loans to, or purchase secured or unsecured loans from, or purchase all or part of any rights to or possibilities regarding *the state share of funding for the modernization of school facilities approved by the State Allocation Board pursuant to Chapter 12.5 (commencing with Section 17070.10) including amounts apportioned and funded and amounts approved but not yet funded by the State Allocation Board from, a participating district for any of the following purposes: The purchase of all or part of any rights to, or possibilities regarding, the state contribution for the modernization of school facilities approved by the State Allocation Board shall be limited to amounts approved and funded or amounts approved but not yet funded from proceeds of state bonds already authorized by the electors but not yet issued. Loans or purchases completed pursuant to this section may be used for either of the following purposes:*

(1) To finance a project or provide working capital. No loan to finance a project shall exceed the total cost of the project, as determined by the participating district and approved by the authority.

(2) To refinance indebtedness incurred by the participating district in connection with projects undertaken, educational facilities acquired, or working capital financed.

(j) Upon the terms and conditions the authority deems proper, lease a project being financed pursuant to this chapter to a participating district, and charge and collect rent therefor. The authority may terminate a lease pursuant to this subdivision upon the lessee's failure to comply with any of its obligations under the lease. The lease may include any of the following provisions:

(1) That the lessee shall have the option to renew the term of the lease for the period or periods, and at the rent, determined by the authority, or to purchase any or all of the project.

(2) That upon payment by the participating district of all of the indebtedness incurred by the authority for the financing of the project or for the refinancing of the district's outstanding indebtedness, the authority may convey any or all of the project to the lessee or lessees, with or without further consideration.

(k) Charge and equitably apportion among participating districts its administrative costs and expenses incurred pursuant to this chapter.

(l) (1) Obtain, or aid in obtaining, from any state or federal agency or any private company, any insurance, guarantee, letter, or line of credit regarding, or of, or for, the payment or repayment of all or part of the interest, principal, or both, on any loan, lease, or obligation, or any instrument evidencing or securing the same, made or entered into pursuant to this chapter, or on any bonds issued pursuant to this chapter.

(2) Notwithstanding any other provision of this chapter, enter into any agreement, contract, or any other instrument regarding any insurance, guarantee, letter, or line of credit specified in paragraph (1), and accept

1 payment in the manner and form provided therein in the  
2 event of default by a participating district.

3 (3) Assign any insurance, guarantee, letter, or line of  
4 credit specified in paragraph (1) as security for bonds  
5 issued by the authority.

6 (m) Enter into any agreements or contracts,  
7 including, but not limited to, agreements for liquidity or  
8 credit enhancement, execute any instruments, and any  
9 other act or thing necessary, convenient, or desirable for  
10 the purposes of the authority or to carry out any express  
11 power granted the authority pursuant to this chapter.

12 (n) At the discretion of the authority, invest any  
13 moneys held in reserve or in sinking funds, or any moneys  
14 not required for immediate use or disbursement, in  
15 obligations authorized by the resolution authorizing the  
16 bonds secured by the investment, or by law governing the  
17 investment of trust funds in the custody of the Treasurer.

18 SEC. 2. Section 17199.1 of the Education Code is  
19 amended to read:

20 17199.1. (a) Any participating district, exclusively for  
21 the purpose of securing financing or refinancing of  
22 projects or working capital pursuant to this chapter  
23 through the issuance, by the authority, of revenue bonds,  
24 certificates of participation, or other means, and  
25 notwithstanding any other provision of law, may: (1) sell  
26 to the authority all or part of any rights to or possibilities  
27 regarding *the state's share of funding for the*  
28 *modernization of* school facilities approved by the State  
29 Allocation Board pursuant to Chapter 12.5 (commencing  
30 with Sec. 17070.10) including amounts apportioned and  
31 funded and amounts approved but not yet funded by the  
32 State Allocation Board *from proceeds of state bonds*  
33 *already authorized by the electors but not yet issued*; (2)  
34 issue bonds to the authority; or (3) borrow money or  
35 purchase or lease educational facilities from the  
36 authority, and in connection therewith, sell or lease  
37 property to the authority, in each case at any interest rate  
38 or rates, rental provisions, with any maturity date or dates  
39 or term, and with any other transfer, assignment,  
40 payment, security, default, remedy, and other terms or

1 provisions as may be specified in the sale of rights  
2 agreement or the bonds of the participating district or a  
3 loan, loan purchase, installment sale, lease, or other  
4 agreement between the authority and the participating  
5 district, subject to the following conditions:

6 (A) The sum of the amount borrowed to finance  
7 working capital and the interest payable thereon at the  
8 initial interest rate if interest is variable, shall not exceed  
9 85 percent of the estimated amount of uncollected taxes,  
10 income, revenue, cash receipts, and other district funds  
11 which will be available in any fiscal year for the  
12 repayment of the loan and the interest thereon. For  
13 purposes of this paragraph, “revenue” includes, but is not  
14 limited to, federal and state funds received by the district.

15 (B) In computing the maximum amount which may  
16 be borrowed in any fiscal year pursuant to subparagraph  
17 (A), the district may exclude the amount of any principal  
18 or interest which is secured by a pledge of the amount in  
19 any inactive or term deposit of the district which has a  
20 term scheduled to terminate during that fiscal year.

21 (C) A participating district that borrows money to  
22 finance working capital pursuant to this subdivision shall  
23 be required to repay and discharge the loan, including  
24 interest, within 15 months of the loan date.

25 (D) In enacting this chapter, it is the intent of the  
26 Legislature to provide financing of working capital  
27 needed to cover temporary or cash-flow deficits and  
28 needs for working capital and not long-term budget  
29 deficits or shortfalls in funding. The participating school  
30 district must demonstrate to the satisfaction of the  
31 authority that, during the term of any working capital  
32 loan received pursuant to this chapter, the participating  
33 district will receive or otherwise have (without additional  
34 borrowing) sufficient funds to repay and discharge the  
35 loan. The participating district may take into account all  
36 district funds and may base future projections upon  
37 historical experience or reasonable expectations, or a  
38 combination thereof.

39 (b) Notwithstanding Sections 700, 703, and 1045 of the  
40 Civil Code, the rights and possibilities that a participating

1 district may have or obtain in the future to—unfunded  
2 school facility approvals of the State Allocation Board  
3 pursuant to Chapter 12.5 (commencing with Sec.  
4 17070.10), *an approved state contribution to funding for*  
5 *the modernization of school facilities pursuant to Chapter*  
6 *12.5 (commencing with Sec. 17070.10) that remains*  
7 *unfunded pending the issuance of state bonds already*  
8 *authorized by the electors* shall constitute property for all  
9 purposes and may be transferred as provided in  
10 subdivision (a). In the case of any transfer or assignment  
11 of rights or possibilities relating to funds for which bonds  
12 have been approved by the voters but are not yet  
13 available, the transfer or assignment shall be approved by  
14 resolution of the State Allocation Board prior to becoming  
15 effective.

16 (c) Any participating district may enter into any  
17 agreement for liquidity or credit enhancement, with any  
18 reimbursement, payment, interest, security, default,  
19 remedy, and other terms it may deem necessary or  
20 appropriate in connection with the issuance of bonds, the  
21 borrowing of money or the lease or purchase of  
22 educational facilities, whichever is applicable. Any  
23 participating district or districts may also do all things and  
24 execute all documents as may be necessary or desirable  
25 in connection with the issuance of certificates of  
26 participation, or other interests, in any bond, loan,  
27 installment sale, lease, or other agreement of the district.

28 (d) A school district may by resolution authorize any  
29 county or city board of education or superintendent of  
30 schools, and a community college district may by  
31 resolution authorize the Board of Governors of the  
32 California Community Colleges or the Chancellor of the  
33 California Community Colleges, to act as its agent in the  
34 performance of any of the matters permitted by this  
35 section or any other provision of this chapter.  
36 Notwithstanding any other provision of law, the agent  
37 shall have the powers granted by the resolution for  
38 purposes of this chapter. The resolution shall be deemed  
39 to bind the school district or community college district,  
40 as the case may be, to any contract, agreement,



1 instrument, or other document executed by the agent on  
2 behalf of the school district or community college district,  
3 and all duties, obligations, or responsibilities contained  
4 therein on the part of the school district or community  
5 college district, to the same extent as if duly authorized,  
6 executed, and delivered by the school district or  
7 community college district.

8 (e) This section shall be deemed to provide a  
9 complete, additional, and alternative method for  
10 accomplishing the acts authorized by this section, and the  
11 sale or transfer of any rights to or possibilities regarding  
12 ~~funds the state share of funding for the modernization of~~  
13 school facilities approved by the State Allocation Board  
14 including amounts apportioned and funded and amounts  
15 approved but not yet funded ~~to~~ *from proceeds of state*  
16 *bonds already authorized by the electors but not yet*  
17 *issued*, issuance of bonds to, borrowing of money from, or  
18 sale or purchase or lease of educational facilities from or  
19 to, the authority. Any agreement entered into in  
20 connection with the transfer of any rights to or  
21 possibilities regarding ~~funds for any unfunded school~~  
22 ~~facilities approvals of the State Allocation Board~~ *the state*  
23 *contribution for funding for the modernization of school*  
24 *facilities pursuant to Chapter 12.5 (commencing with*  
25 *Section 17070.10,* including amounts apportioned and  
26 funded and amounts approved but not yet funded by the  
27 State Allocation Board *from proceeds of state bonds*  
28 *already authorized by the electors but not yet issued*, or  
29 the issuance of bonds, the borrowing of money or the sale,  
30 purchase, or lease of educational facilities, including,  
31 without limitation, any agreement for liquidity or credit  
32 enhancement under this section, need not comply with  
33 the requirements of any other law applicable to issuance  
34 of bonds, borrowing, selling, purchasing, leasing, pledge,  
35 encumbrance, or credit, as the case may be, by a school  
36 district or community college district, or by a county or  
37 city board of education or superintendent of schools or  
38 the Board of Governors of the California Community



1 Colleges or Chancellor of the California Community  
2 Colleges.

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